

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Ken Nickolai
Phyllis A. Reha
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Northern States
Power Company d/b/a Xcel Energy to Increase
Rates for the Recovery of the Low Income
Discount Program Costs

ISSUE DATE: March 3, 2004

DOCKET NO. E-002/M-03-1557

ORDER APPROVING INCREASE IN COST
RECOVERY FOR LOW INCOME
DISCOUNT PROGRAM

PROCEDURAL HISTORY

On September 30, 2003, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition to increase the Company's cost recovery for the Low-Income Discount Program. The Company proposed a \$0.07 increase in the monthly customer charge from all customers.¹ This would increase the customer monthly charge surcharge from \$0.36 to \$0.43.

The Department of Commerce (DOC) filed comments on October 30, 2003 recommending approval of the Company's request.

On February 11, 2004, comments were filed by Myer Shark.

On February 12, 2004, this matter came before the Commission. At hearing the Company and the DOC revised their figures and proposed an increase in the monthly customer charge of \$0.03.

FINDINGS AND CONCLUSIONS

I. The Program

Minn. Stat. § 216B.16, subd. 14, requires any public utility with more than 200,000 residential electric customers to provide a 50% electric rate discount on the first 300kWh consumed in a

¹ Excluding Fire and Civil Defense Siren Service, Excess Energy - St. Anthony Locks and Dam, Automatic Protective Lighting Service and Street Lighting. These classes were excluded because they do not have a monthly customer charge.

billing period by a low-income residential customer.² The statute defines a low income customer as one who receives assistance through the state-administered Low-Income Home Energy Assistance Program (LIHEAP).

The statute also gives the Commission the discretion to allow recovery of the discount rate program on a timely basis, rather than delaying the recovery until the company's next rate case.

The Company's Low-Income Discount Program (the Program) and associated cost recovery proposals was approved by the Commission in January of 1995.³ In September 2001,⁴ the Commission approved a surcharge of \$0.36 per month from all customer classes, with certain classes excluded.⁵

II. Xcel's Proposal

The Company proposed that it recover the Program costs by increasing the monthly customer charge by \$0.07 per month for all customers.⁶ The monthly customer surcharge would increase from \$0.36 to \$0.43.

The Company indicated that it currently has 46,513 residential customers receiving discounts under the program. It anticipated that the number of LIHEAP customers eligible for the discount program in 2004 could reach 50,000.

Xcel also reported that as of August 30, 2003, the 2003 low income tracker account showed a negative balance of \$30,175. It did not expect the current recovery level to reverse this negative tracker balance in the 2004 LIHEAP year.⁷

² Customers who consume at least 300 kWh per monthly bill receive the maximum discount of \$9.45 per bill for the months of October through May and \$10.95 per bill for June through September. If a customer consumes less than 300 kWh in a billing cycle, that customer will receive a discount of 50% of the smaller amount.

³ In Docket No. E-002/M-94-925.

⁴ In Docket No. E002/M-01-1087.

⁵ See footnote 1 for the excluded classes.

⁶ Ibid.

⁷ The LIHEAP fiscal year runs from October through September.

III. Position of the Parties

A. DOC

The DOC recommended that the Commission approve Xcel's petition for an increase in the monthly customer charge to recover the costs related to its Low-Income Discount Program. It concluded that the Company's proposed method of recovery was consistent with the Program's current method of cost recovery and was appropriate.

At hearing the DOC agreed to an increase of \$0.03 per month, which will increase the surcharge included in the monthly customer charge to \$0.39.

B. Myer Shark

Mr. Shark requested an investigation of the Xcel customer charge and the component items recovered in that charge to determine whether the customer charge is correct. He argued that what Xcel was proposing was an increase to the basic service charge. He argued that as long as the Commission was considering this increase to the basic service charge, it should also consider whether there were offsetting reductions to this charge.

C. Agreement at Hearing

At hearing Xcel and the DOC agreed that an increase of \$0.03, which would result in a total customer charge of \$0.39 per month, was reasonable.

IV. Commission Action

The Commission is in agreement with the parties that an increase in the monthly customer charge from all customers is reasonable to recover increased costs of the Program. However, based on the varying estimates of the number of customers that will be eligible for the full discount, the Commission finds that an increase of \$0.03 per month is reasonable. This will increase the surcharge included in the monthly customer charge from \$0.36 to \$0.39 for all customer classes. The \$0.03 increase will ensure that the recovery will be sufficient to fund the cost of the Program with little chance of over-collection.

The Commission declines to open an investigation into the Xcel customer charge and the component items as requested by Mr. Shark. The Commission is statutorily authorized to allow Xcel current recovery of lost revenues from its low-income program. The Commission has consistently found that it is appropriate to allow Xcel to recover lost revenues for this program on a current basis and the Commission continues to find this appropriate. Further, the Commission, after reviewing the matter, has determined that the Program merits the increase granted herein.

ORDER

1. Xcel's request to increase the cost recovery rate for the Low-Income Discount Program is approved.
2. The cost recovery rate shall be increased by \$0.03 per month, thereby increasing the surcharge included in the monthly customer charge from \$0.36 to \$0.39 for all customer classes.
2. The above increase to the cost recovery rate shall be effective the date of this Order.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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